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SIPDIS

SENSITIVE BUT UNCLASSIFIED

CAIRO FOR MAXSTADT, TASHKENT FOR BURKHALTER
PARIS FOR OECD/IEA

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SUBJECT: NIGERIA: VIOLENCE ESCALATES IN ESCRAVOS

1. (U) Proprietary information in paragraphs 3-4. Please protect accordingly.

2. (SBU) Summary: Escalating violence between Ijaws and Itsekiris have combined with security inadequacies to force ChevronTexaco and Shell to halt some operations, reducing Nigeria's crude production by 350,000-400,000 bpd. If the unrest spreads, oil production could fall further, impacting negatively both U.S. energy security and Nigeria's political and fiscal stability. Several thousand persons are now IDPs. There are no reports of AmCit injuries. End summary.

LOST PRODUCTION

3. (SBU) On March 20, Sola Omole, ChevronTexaco's Manager of Government and Public Affairs, told EconOff that ChevronTexaco had shut down its operation in Escravos, halting production of nearly 140,000 bpd of crude oil, almost 50 percent of its production from that area. He mentioned that Shell had also temporarily reduced production by 126,000 barrels of crude per day. However, British High Commissioner Thomas told Ambassador Jeter on March 22 that Shell was losing up to 250,000 barrels daily. Omole confirmed one of the company's catering staff had died two days earlier of gunshot wounds; another six employees were injured. All are Nigerian nationals. As of March 20, the GON had deployed about 150 troops to the Escravos area since the violence began on March 17 and another 1,000 troops to the Warri area, where there is similar unrest.

4. (SBU) To the above-mentioned lost production should be added unknown losses (by some estimates just over 30,000 bpd) from the closure of a TotalFinaElf flow-station in the area. In short, Nigeria's production seems to have fallen by roughly 350,000-400,000 bpd within the past five days. Omole warned (septel from Lagos) that ChevronTexaco might reduce its production by another 300,000 bpd in the days and weeks ahead if progress could not be made in defusing the inter-ethnic conflict.

5. (SBU) COMMENT: It is difficult to estimate production losses accurately and harder still to predict future cuts. The joint-venture companies (JVs) in the Nigerian petroleum sector tend to declare force majeure swiftly when confronted by violence in production areas, not just to protect against future claims by customers, but also to put pressure on the GON to defuse the underlying tensions. END COMMENT.

BACKGROUND

6. (SBU) On March 2, an Ijaw group, the Federated Niger Delta Ijaw Communities, had threatened mass protests on March 10 if the Government of Nigeria failed to meet their demands. These included withdrawal of troops from Warri (the troops were keeping the Ijaw militias from attacking their less well-armed ethnic opponents), redrawing electoral boundaries in Warri, examination of land ownership, and redistribution of oil revenues. The Ijaw ultimatum ordered the oil companies to leave the area since the Ijaws' dispute was with the GON.

7. (SBU) Because of the violence, ChevronTexaco and Shell began evacuating non-essential employees. Omole said crew changes had been put on hold. An indicator of how tense the situation was this week was that a helicopter evacuating Shell employees was fired upon. Following this incident, all the air carriers serving Warri and environs -- Aero Contractors, Dana, Bristow Helicopters, Pan African Airlines, and Associated Airlines --

temporarily halted flights.

IMPACT ON LOCAL COMMUNITIES

18. (SBU) Omole said 2,000 internally displaced persons (IDPs) (almost all Itsekiri fleeing the better-armed Ijaw) had taken refuge at ChevronTexaco's Escravos tank farm as of March 21. Omole had heard but could not confirm that ten villages had been destroyed. During March 18-21, Chevron evacuated many IDPs to Warri via air. Because ChevronTexaco must deal with remaining IDPs at Escravos, it deferred evacuating those employees who were helping with the displaced persons until March 21-22, when the Ijaw attacks intensified. The Ijaws reportedly have complained that ChevronTexaco is impeding their efforts against the Itsekiri, but, thus far, have apparently have not specifically targeted ChevronTexaco employees, and they have not attacked the tank farm itself.

MINIMAL CONFLICT RESOLUTION EFFORTS

19. (SBU) According to Omole, no GON authority appears to be engaged in conflict resolution with the Ijaws. He confirmed that the British High Commission and Dutch Embassy were trying to see how they could help; he asked that Ambassador Jeter urge the GON to engage in talks with the warring parties. Although the oil companies were being affected, Omole thought the attacks indeed were not directed against their operations and that GON engagement at a high enough level might be a useful measure to help restore production.

COMMENT

110. (SBU) This message should be read in conjunction with reporting from ConGen Lagos (where much of this message was drafted) and an Abuja septel reporting Ambassador Jeter's March 21 midnight discussion with President Obasanjo.
JETER